

### Military Ship Construction

Navy ship construction programs, which had been declining since 1991, have now stabilized. A small upward trend is expected beginning with contracts for the new NSSN submarines, DDG-51 class multi-year procurements, continued procurement of LPD-17 class ships, aircraft carriers and other planned programs such as charter and build. The Navy's ship acquisition budgets are still well below the level reached during the 1980's when the Navy commenced its largest peacetime combatant ship construction program (nearly \$100 billion was appropriated). Although the Navy's construction projects have dominated the workload in U.S. shipyards in recent years, they have done so on a much diminished scale.

As of April 1, 1998, the Navy's backlog of ships on order or under construction in private shipyards, 1,000 light displacement tons (ldt) or larger, was comprised of 31 combatants and 20 amphibious, auxiliary and T-ships, totaled 51 ships (Table 5). Ten Navy vessels are scheduled to be delivered by the end of 1998, eight before the end of 1999 and nine by the end of 2000.

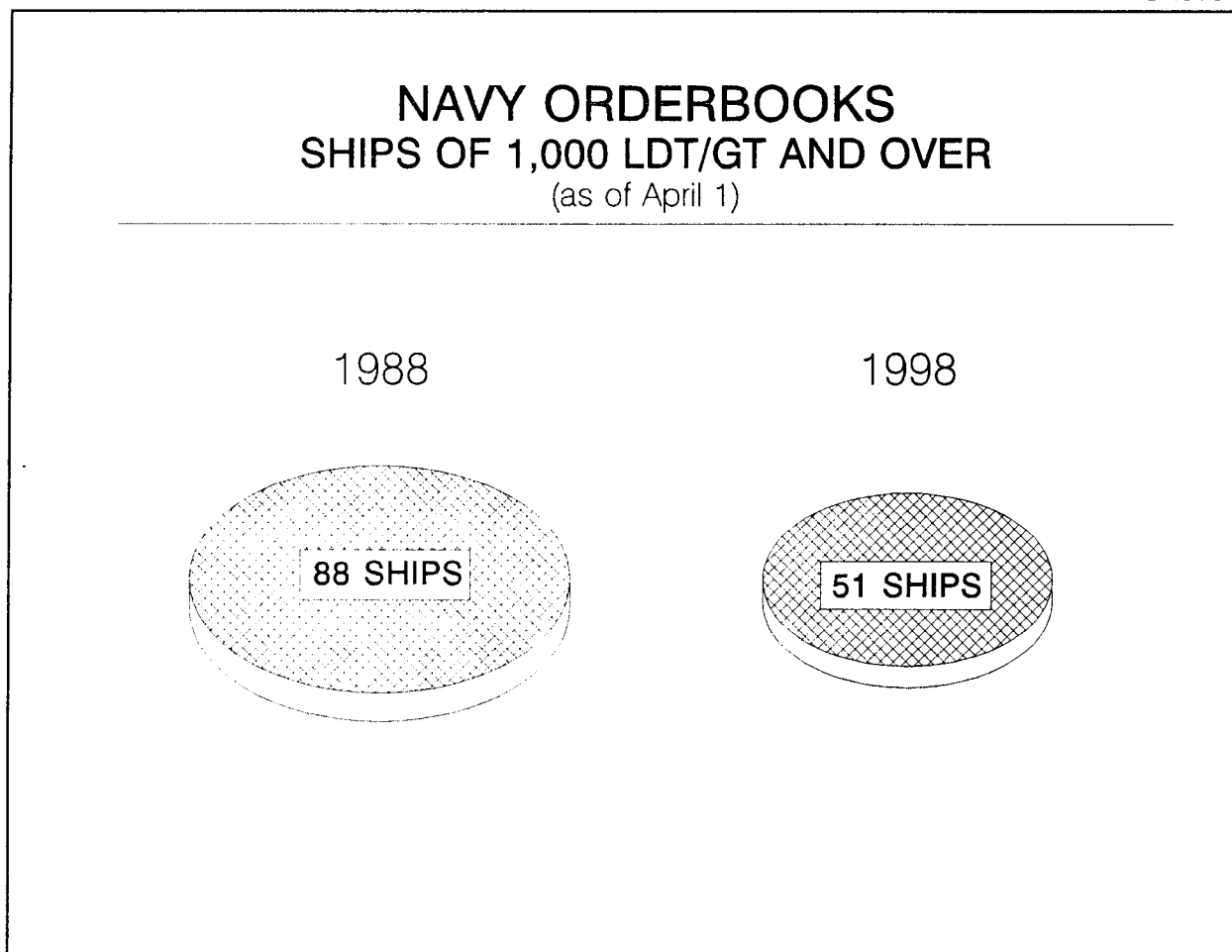
**Table 5**

Military Ships Under Construction (1,000 ldt or Greater)		
April 1, 1998		
Symbol	Type	Number
<u>New Construction</u>		
AOE	Fast Combat Support Ship	1
CVN	Aircraft Carrier (Nuclear-powered)	2
DDG	Guided Missile Destroyer	27
LHD	Amphibious Assault Ship (Multi-purpose)	2
LPD	Amphibious Transport Ship	1
SSN-21	Attack Submarine (Nuclear-powered)	2
T-AKR	Military Sealift Ship	13
WAGB	Ice Breaker	1
T-AGOS-23	Ocean Surveillance Ship	1
T-AGS-60	Ocean Survey Ship	1
Total Military Ships		51

During 1997 and the first quarter of 1998, the Navy ordered 17 new ships, 1,000 ldt or larger, from U.S. private shipyards, totaling 217,924 ldt with a total original contract value of \$5.7 billion. During the same period, U.S. private shipyards delivered 12 new Navy vessels and completed three conversions, totaling 216,163 ldt with a total original contract value of \$4.6 billion.

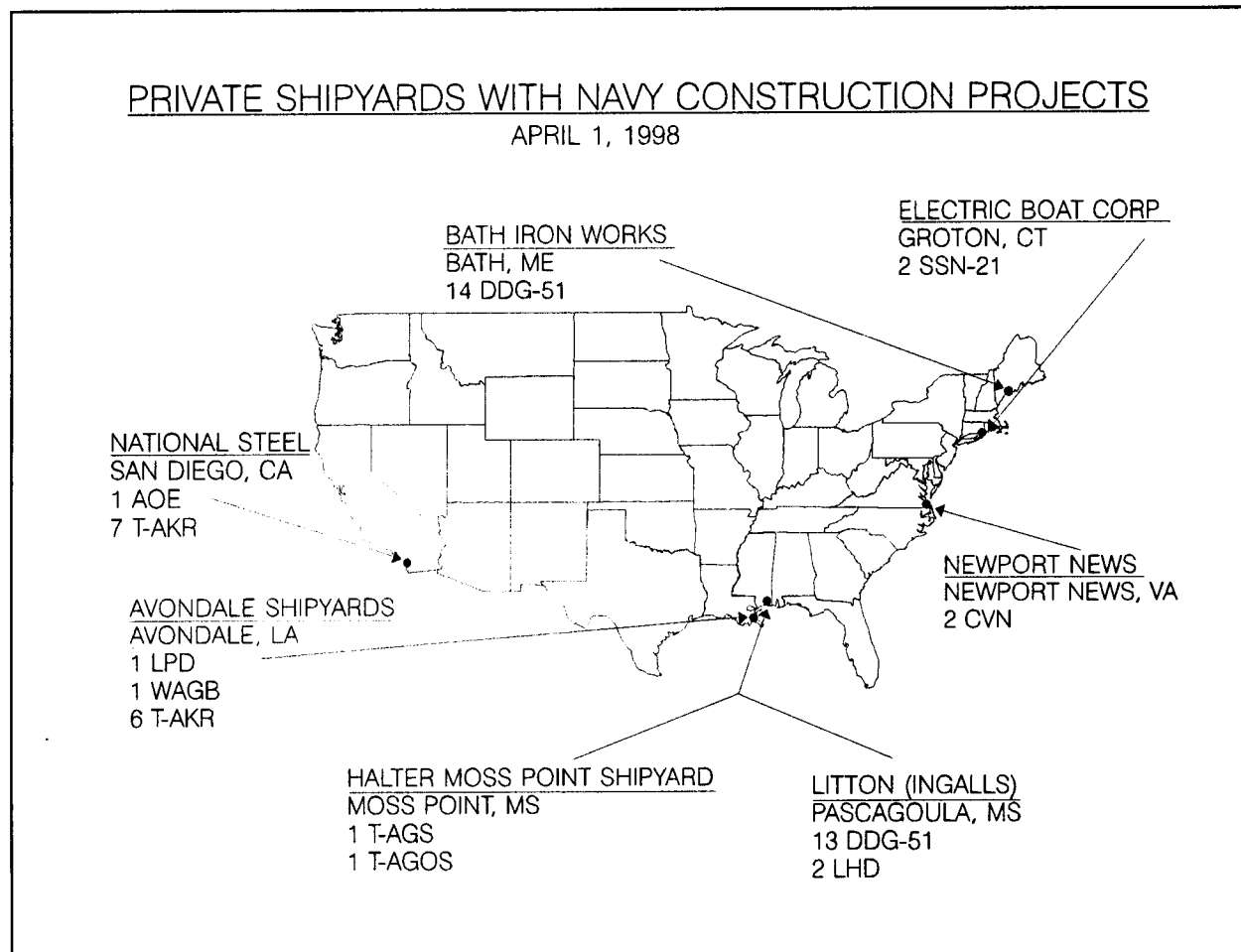
The Navy's shipbuilding program has declined dramatically in the last ten years, as a consequence of the austere Navy new construction budget, from 88 vessels in 1988 to 51 vessels in 1998 (Chart 4).

Chart 4



The naval shipbuilding orderbook encompasses a variety of large vessels from the Seawolf submarine to a Coast Guard icebreaker. The new construction backlog of 51 ships includes 10 different types of ships with the orders dispersed among 7 private shipyards located on the Atlantic (3), the Gulf (3) and Pacific (1) coasts as displayed in Chart 5.

Chart 5



Most U.S. shipyards do not have the experience, expertise or infrastructure required to construct sophisticated naval combatant vessels. The Navy's T-ship projects, however, have in the past and are continuing to provide some work for private U.S. shipyards that have, for the last 15 years, relied heavily on military ship construction. These projects involve the building of civilian-manned Navy

auxiliary ships, which when completed will be placed under the control of the Military Sealift Command (MSC).

As of April 1, 1998, there were 15 T-ships on order or under construction, unchanged from a year earlier. The orders were distributed among Avondale Industries, Inc., Avondale, LA, for six military sealift ships and National Steel and Shipbuilding Co. (NASSCO) of San Diego, CA, for seven military sealift ships. Both contracts are scheduled for completion by the end 2001. Additionally, Halter Moss Point Shipyard, Moss Point, MS, is constructing one ocean survey ship and one ocean surveillance ship. An additional military sealift ship is planned for procurement during FY 1999. A listing of the T-Ships on order is shown in Table 6.

Table 6

T-SHIPS ON ORDER OR UNDER CONSTRUCTION (as of April 1, 1998)				
SHIPYARD	SHIP CLASS and HULL NUMBER	VESSEL NAME	ESTIMATED DELIVERY DATE	APPROXIMATE CONTRACT PRICE (in Millions)
<b>New Construction:</b>				
Halter Marine	T-AGS 64	- unnamed -	10/13/1999	\$51.7
Halter Marine	T-AGOS 23	IMPECCABLE	12/20/1998	\$60.0
Avondale	T-AKR 300	BOB HOPE	05/29/1998	\$265.2
Avondale	T-AKR 301	FISHER	09/24/1998	\$210.0
Avondale	T-AKR 302	SEAY	04/12/1999	\$210.0
Avondale	T-AKR 303	- unnamed -	10/08/1999	\$206.4
Avondale	T-AKR 304	- unnamed -	04/30/2000	\$211.1
Avondale	T-AKR 305	- unnamed -	10/31/2000	\$210.0
National Steel	T-AKR 310	WATSON	06/29/1998	\$269.1
National Steel	T-AKR 311	SISLER	04/13/1999	\$218.0
National Steel	T-AKR 312	DAHL	10/29/1999	\$218.0
National Steel	T-AKR 313	- unnamed -	04/28/2000	\$207.0
National Steel	T-AKR 314	- unnamed -	10/27/2000	\$200.0
National Steel	T-AKR 315	- unnamed -	04/27/2001	\$227.0
National Steel	T-AKR 316	- unnamed -	09/28/2001	\$195.0
15 Ships				\$2,958.5